(ii) 1.5 per cent of the bank's incremental deposits during a year as per RBI guidelines.

The aggregate of such investments in the subsidiaries and Mutual Fund (if and when set up) and portfolio investment in other companies shall not exceed 20 per cent of the bank's own paid up capital and reserves.

(m) In regard to branch opening, it shall be governed by the existing policy that banks are free to open branches at various centres including urban/metropolitan centres without the prior approval of the RBI once they satisfy the capital adequacy and prudential accounting norms. However, to avoid over-concentration of their branches in metropolitan areas and cities, a new bank will be required to open rural and semi-urban branches also, as may be laid down by RBI.

(n) Such a bank shall have to lay down its loan policy within the overall policy guidelines of RBI. While doing so, it shall specifically provide prudential norms covering related party transactions.

(o) Such a bank shall make full use of modern infrastructural facilities in office equipments, computer, telecommunications etc. In order to provide good customer service the bank should have a high powered customer grievances cell to handle customer complaints.

(p) Such other conditions as RBI may prescribe from time to time.

Laxity in the Reconciliation of Account by Banks

3789. SHRI VIREN J. SHAH:
SHRI KRISHNA KUMAR BIRLA :

Will the Minister of FINANCE be pleased to state :

(a) whether there has been widespread laxity on the part of banks in the country in the reconciliation of accounts which is proving to be a breeding ground for various kinds of malpractices in banking operations, as reported by the Central Vigilance Commission, stating the main reasons of malpractices in banking operation! noticed by the Commission;

(b) what steps Government have taken or propose to take to remove the backlog in reconciliation work which is in heavy arrears in certain banks;

(c) what are the details of action Government propose to take on the remarks of CVC;

(d) the number of enquiries pending with banks against bank officers, as on 31st March, 1994 on various charges of corruption and inefficiency levelled against them; and

(el what steps Government have taken to expedite disposal of these enquiries against officers of banks before their retirement from service ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY) : (a) Delay in reconciling interbranch accounts is an accounting irregularity and not a deliberate malpractices. There are several reasons for such delays including lack of computerisation at branch level, periodicity of bank audit as well as past arrears.

(b) and (c) A Working Group had been set up by the RBI to look into the system of accounting and reporting procedures which would speed up the process of reconciliation of outstanding entries.

On the recommendations of the group, ; time bound programme has been prescribed for reconciliation work on inter-branch account entries. It has been report-id by the RBI that from 1993-94 onwards. hanks will have to reconcile unadjusted entries within 6 months.

(d) The information is being collected and will be laid on the Table of the House.

(e) RBI have impressed upon the public sector banks, the need for the departmental enquiries to be finalised expeditiously, preferably within a period of 6 months.

Exemption of Excise Duty on Grey Fabrics

3790. SHRI PRAGADA KOTAIAH: Mil the Minister of FINANCE be pleas-: J to state :

(a) why there is no excise duty on grey fabrics woven in mills and on power-looms;